

OPEN MEETING



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ORIGINAL

MEMORANDUM
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Arizona Corporation Commission

TO: THE COMMISSION

2009 MAY 12 P 2:08

DOCKETED

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

MAY 12 2009

DATE: May 12, 2009

DOCKETED BY	
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RE: UNS GAS, INC. - APPLICATION FOR APPROVAL OF A PROPOSED DEMAND-SIDE MANAGEMENT TARGETED BASELINE STUDY (DOCKET NO. G-04204A-09-0129)

On March 17, 2009, UNS Gas, Inc. ("UNS Gas" or "the Company") filed an application for approval of its proposed demand-side management ("DSM") targeted baseline study ("Baseline Study"), and to recover the cost of the Baseline Study through the Company's DSM Surcharge, or adjustor rate.

The purpose of the Baseline Study is: (i) to evaluate existing energy efficiency, or DSM¹ programs; (ii) to identify new energy efficiency, or DSM, program opportunities; and (ii) to provide Arizona-based estimates on costs and savings, so that programs can be accurately screened for cost-effectiveness.

The Company has identified four primary areas of research: (i) Baseline Efficiency Characteristics, Market Availability and Customer Penetration Rates; (ii) DSM Measure Incremental Costs; (iii) Baseline Profiles of Key Customer Market Segments; and (iv) Market Assessment Review of Key DSM Sectors.

To limit costs and enhance efficiency, UniSource Energy Corporation, the parent company of TEP, UNS Gas and UNS Electric, requested an estimate from an existing DSM contractor² for a study encompassing all three companies. The resulting estimate was based on performing the Baseline Study for all three companies at once, to take advantage of combined travel, training and on-site analysis. Performing a study on only one or two companies would be less economically efficient and would result in increased per-company costs. UniSource has asked that the Baseline Study funding be approved for all three companies, so that the economic benefit of doing a combined study is preserved.

The total estimate for a Baseline Study covering TEP, UNS Gas and UNS Electric is \$590,550; \$148,611 of this amount is associated with the UNS Gas component of the DSM

¹ For natural gas, DSM is the planning, implementation, and evaluation of programs to reduce energy consumption ("therms") in a cost-effective manner.

² The Company states that Summit Blue was selected to perform the Baseline Study because they are already performing Measurement, Analysis and Research on the UniSource DSM programs and are familiar with the existing DSM portfolios for TEP, UNS Gas and UNS Electric.

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Targeted Baseline Study. The \$148,611 estimate is based on the number of hours it would take to complete the baseline study in UNS Gas' territory.

The increased cost, per kWh, of the Baseline Study for UNS Gas would be \$0.0013, resulting in an approximately three cent per month increase on a typical summer bill and a nine cent increase on a typical summer bill, if the entire cost of the Baseline Study were recovered in a single year.³

Staff recommends that the Commission approve cost recovery for the UNS Gas component of the DSM Targeted Baseline Study. The proposed study will: (i) provide a basis for evaluating and enhancing the Company's energy efficiency programs; (ii) assist in identifying new efficiency programs or measures; and (iii) provide a standard against which to measure the progress of the Company's DSM programs in meeting energy efficiency goals.

To limit costs, Staff recommends that recovery for the UNS Gas component of the Baseline Study be capped at \$149,000.

Staff recommends that the DSM Targeted Baseline Study (encompassing TEP, UNS Gas and UNS Electric) be filed with the Utilities Division once it is completed.

Summary of Staff Recommendations

- Staff recommends that the application for cost recovery for the UNS Gas component of the Demand-Side Management Targeted Baseline Study be approved.
- Staff recommends that cost recovery for the UNS Gas component of the Baseline Study be capped at \$149,000.

³However, the Company is initially proposing to recover only \$21,282 (14%) of the cost of the Baseline Study for UNS Gas; this would result in increases of less than a half a cent in summer and approximately one cent in winter during the 2009-2010 program year, and an increase to approximately three cents in summer and eight cents in winter in the following year.

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- Staff recommends that the completed DSM Targeted Baseline Study (encompassing, TEP, UNS Gas and UNS Electric) be filed with the Utilities Division once it is completed.



for Ernest G. Johnson
Director
Utilities Division

EGJ:JMK:lhv\NS

ORIGINATOR: Julie McNeely-Kirwan

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 KRISTIN K. MAYES

Chairman

3 GARY PIERCE

Commissioner

4 PAUL NEWMAN

Commissioner

5 SANDRA D. KENNEDY

Commissioner

6 BOB STUMP

Commissioner

7

8 IN THE MATTER OF THE APPLICATION)
9 OF UNS GAS, INC. FOR APPROVAL OF A)
10 PROPOSED DEMAND-SIDE)
11 MANAGEMENT TARGETED BASELINE)
12 STUDY)

DOCKET NO. G-04204A-09-0129

DECISION NO. _____

ORDER

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13 Open Meeting
14 May 27 and 28, 2009
15 Phoenix, Arizona

15 BY THE COMMISSION:

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FINDINGS OF FACT

17 1. UNS Gas, Inc. ("UNS Gas" or "the Company") is engaged in providing electric
18 power within portions of Arizona, pursuant to authority granted by the Arizona Corporation
19 Commission.

20 2. On March 17, 2009, UNS Gas filed an application for approval of its proposed
21 demand-side management ("DSM") targeted baseline study ("Baseline Study"), and to recover the
22 cost of the Baseline Study through the Company's DSM Surcharge, or adjustor rate.

23 3. The purpose of the Baseline Study is: (i) to evaluate existing energy efficiency, or
24 DSM¹ programs; (ii) to identify new energy efficiency, or DSM, program opportunities; and (ii) to
25 provide Arizona-based estimates on costs and savings, so that programs can be accurately screened
26 for cost-effectiveness.

27

28 ¹ For natural gas, DSM is the planning, implementation, and evaluation of programs to reduce energy consumption
("therms") in a cost-effective manner.

1 4. The Company has identified four primary areas of research: (i) Baseline Efficiency
2 Characteristics, Market Availability and Customer Penetration Rates; (ii) DSM Measure
3 Incremental Costs; (iii) Baseline Profiles of Key Customer Market Segments; and (iv) Market
4 Assessment Review of Key DSM Sectors.

5 5. To limit costs and enhance efficiency, UniSource Energy Corporation, the parent
6 company of TEP, UNS Gas and UNS Electric, requested an estimate from an existing DSM
7 contractor² for a study encompassing all three companies. The resulting estimate was based on
8 performing the Baseline Study for all three companies at once, to take advantage of combined
9 travel, training and on-site analysis. Performing a study on only one or two companies would be
10 less economically efficient and would result in increased per-company costs. UniSource has asked
11 that the Baseline Study funding be approved for all three companies, so that the economic benefit
12 of doing a combined study is preserved.

13 6. The total estimate for a Baseline Study covering TEP, UNS Gas and UNS Electric
14 is \$590,550; \$148,611 of this amount is associated with the UNS Gas component of the DSM
15 Targeted Baseline Study. The \$148,611 estimate is based on the number of hours it would take to
16 complete the baseline study in UNS Gas' territory.

17 7. The increased cost, per therm, of the Baseline Study for UNS Gas would be
18 \$0.0013, resulting in an approximately three cent per month increase on a typical summer bill and
19 a nine cent increase on a typical summer bill, if the entire cost of the Baseline Study were
20 recovered in a single year.³

21 8. Staff has recommended that the Commission approve cost recovery for the UNS
22 Gas component of the DSM Targeted Baseline Study. The proposed study will: (i) provide a basis
23 for evaluating and enhancing the Company's energy efficiency programs; (ii) assist in identifying
24

25 ² The Company states that Summit Blue was selected to perform the Baseline Study because they are already
26 performing Measurement, Analysis and Research on the UniSource DSM programs and are familiar with the existing
27 DSM portfolios for TEP, UNS Gas and UNS Electric.

28 ³ However, the Company is initially proposing to recover only \$21,282 (14%) of the cost of the Baseline Study for
UNS Gas; this would result in increases of less than a half a cent in summer and approximately one cent in winter
during the 2009-2010 program year, and an increase to approximately three cents in summer and eight cents in winter
in the following year.

1 new efficiency programs or measures; and (iii) provide a standard against which to measure the
2 progress of the Company's DSM programs in meeting energy efficiency goals.

3 9. To limit costs, Staff has recommended that recovery for the UNS Gas component of
4 the Baseline Study be capped at \$149,000.

5 10. Staff has recommended that the DSM Targeted Baseline Study (encompassing TEP,
6 UNS Gas and UNS Electric) be filed with the Utilities Division once it is completed.

7 CONCLUSIONS OF LAW

8 1. UNS Gas is an Arizona public service corporation within the meaning of Article
9 XV, Section 2, of the Arizona Constitution.

10 2. The Commission has jurisdiction over UNS Gas and over the subject matter of the
11 application.

12 3. The Commission, having reviewed the application and Staff's Memorandum dated
13 May 12, 2009, and concludes that it is in the public interest to approve cost recovery for the UNS
14 Gas component of the Demand-Side Management Targeted Baseline Study.

15 ORDER

16 IT IS THEREFORE ORDERED that cost recovery for the UNS Gas, Inc. component of the
17 DSM Targeted Baseline Study be, and hereby is, approved.

18 IT IS FURTHER ORDERED recommended that recovery for the UNS Gas, Inc.
19 component of the Baseline Study be capped at \$149,000.

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IT IS FURTHER ORDERED that the DSM Targeted Baseline Study (encompassing Tucson Electric Power Company, UNS Gas, Inc. and UNS Electric, Inc.) be filed with the Utilities Division once it is completed.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, MICHAEL KEARNS, Interim Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2009.

INTERIM EXECUTIVE DIRECTOR
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

EGJ:JMK:lhmnNS

SERVICE LIST FOR: UNS Gas, Inc.
DOCKET NO.: G-04204A-09-0129

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